

Message Text

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ACTION ARA-10

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CIEP-02 LAB-03 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 INT-05 GSA-02 L-02 H-02 DODE-00 PA-02 USIA-15

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TO SECSTATE WASHDC PRIORITY 6331

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EO 11652: N/A

TAGS: EMIN, EINV, PFOR, JM, MX

SUBJECT: JAMAICA-MEXICO JOINT ALUMINUM VENTURE

1. JAMAICA AND MEXICO HAVE AGREED TO ESTABLISH AN INTEGRATED J\$600 MILLION BAUXITE-ALUMINA-ALUMINUM COMPLEX ON A JOINT VENTURE BASIS WITH OWNERSHIP BY BOTH COUNTRIES. IT WILL INCORPORATE A BAUXITE MINING COMPANY, A CAUSTIC SODA PLANT, AND ALUMINA PLANT AND ALUMINUM SMELTER

2. THE AGREEMENT BETWEEN THE TWO COUNTRIES WAS ANNOUNCED YESTERDAY BY PRIME MINISTER MANLEY AT A PRESS CONFERENCE ATTENDED BY MEXICO'S MINISTER OF NATIONAL PATRIMONY HORACIO FLORES DE LA PENA.

3. BAUXITE FOR THE COMPLEX WILL BE SUPPLIED BY A BAUXITE MINING COMPANY, TO BE FORMED, IN WHICH THE GOJ WILL BE THE PRINCIPAL STOCKHOLDER. THE NEW COM-
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PANY WILL SUPPLY NOT LESS THAN 1.3 MILLION METRIC TONS

OF BAUXITE PER ANNUM TO THE ALUMINA PLANT, WHICH WILL MANUFACTURE ALUMINA FOR THE COMPLEX. THE GOJ WILL GUARANTEE THE BAUXITE MINING COMPANY A 30-YEAR SUPPLY OF BAUXITE RESERVES.

4. THE MINING COMPANY AND THE TWO PLANTS WILL BE LOCATED IN JAMAICA WITH TH GOJ HAVING MAJORITY INTEREST. THE SMELTER IS TO BE BUILT IN MEXICO WITH THE GOM BEING THE PRINCIPAL SHAREHOLDER

5. THE ALUMINA PLANT WILL HAVE A CAPACITY OF APPROXIMATELY 600,000 SHORT TONS PER ANNUM AND IS TO BE BUILT IN SOUTH MANCHESTER. A PORT WILL BE BUILT ON THE SOUTH COAST TO HANDLE SHIPMENTS.

6. DEPENDING ON THE FINDINGS OF AN ECONOMIC FEASIBILITY STUDY NOW BEING UNDERTAKEN, KAISER BAUXITE, IN WHICH THE GOJ NOW HAS MAJORITY INTEREST, WILL PARTICIPATE IN THE ALUMINA PLANT, INCREASING ITS CAPACITY TO 800,000 TONS. ENGINEERING STUDIES ON THE CONSTRUCTION OF THE PLANT HAVE STARTED, AND CONSTRUCTION IS SCHEDULED TO BEGIN LATE NEXT YEAR. THE ESTIMATED COST OF THE ALUMINA PLANT IS J\$180 MILLION. JAMAICA'S MINIMUM 51 PERCENT SHARE WILL THEREFORE COST J\$92 MILLION, REPRESENTED BY APPROXIMATELY J\$37 MILLION IN EQUITY AND J\$55 MILLION IN DEBT FINANCING

7. THE ALUMINA PLANT WILL SUPPLY AN ALUMINA SMELTER WHICH WILL BE BUILT IN MEXICO. THE SMELTER WILL HAVE A CAPACITY OF 120,000 METRIC TONS PER ANNUM. IT WILL BE OWNED BY A COMPANY IN WHICH THE GOM WILL BE THE PRINCIPAL SHAREHOLDER. IT'S ESTIMATED COST IS J\$165 MILLION. JAMAICA'S PROPOSED SHARE OF 29 PERCENT WILL COST JAMAICA J\$48 MILLION OF WHICH J\$19 MILLION WILL BE EQUITY AND THE REMAINING J\$29 MILLION DEBT FINANCING.

8. MEXICO SUGGESTED THAT IN ORDER TO GUARANTEE A SUPPLY OF CAUSTIC SODA TO THE ALUMINA PLANT THE GOJ SHOULD ESTABLISH A PLANT CAPABLE OF PRODUCING 60,000 METRIC

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TONS OF CAUSTIC SODA PER ANNUM. THE GOJ AGREED TO THE MEXICAN SUGGESTION AND MEXICO WILL MAKE AVAILABLE SUPPLIES OF SALT FOR THE PROJECT.

9. NO LOCATION FOR THE CAUSTIC SODA PLANT WAS MENTIONED BUT THERE IS SPECULATION IN THE PRESS THAT IT WILL BE BUILT IN CONJUNCTION WITH THE LUANA OIL REFINERY COMPLEX, FINAL PLANS FOR WHICH REPORTEDLY ARE TO BE

ANNOUNCED SOON.

10. THE ANNOUNCEMENT CULMINATES A PERIOD OF INTENSIVE
NEGOTIATIONS WHICH BEGAN 3 1/2 MONTHS AGO FOLLOWING
AGREEMENT IN PRINCIPLE ON THE PROJECT BETWEEN PRIME
MINISTER MANLEY AND PRESIDENT ECHEVERRIA DURING HIS
VISIT TO JAMAICA. GERARD

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